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AMEMBASSY BRIDGETOWN PASS TO AMEMBASSY GRENADA  
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SUBJECT: GBRV EXPANDS AUTHORITY OF COMMUNAL COUNCILS TO CREATE  
SOCIALIST SOCIETY

REF: 09 CARACAS 1479; 09 CARACAS 1434; 09 CARACAS 1453  
09 CARACAS 1563; 09 CARACAS 1086

CLASSIFIED BY: DUDDY, AMBASSADOR, DOS, AMB; REASON: 1.4(B), (D)

11. (C) Summary: On December 28, the GBRV promulgated an Organic Law of Communal Councils that expands the authority of the communal councils over a broad range of political, social, and economic activity. Under the new law, more than 30,000 communal councils would receive millions of dollars in public funds to create "a new model of socialist society" with influence over everything from national defense to public education. While the law ostensibly restructures the communal councils to encourage participatory democracy and eliminate corruption, critics argue that it politicizes the communal councils, blurs the distinction between official government institutions and civic associations, and centralizes power in the hands of the executive branch by circumventing state and local government. End Summary.

COMMUNAL COUNCIL REFORM MAY FURTHER WEAKEN STATE AND LOCAL  
GOVERNMENT...

12. (SBU) On December 28, the Government of the Bolivarian Republic of Venezuela (GBRV) promulgated the Organic Law of Communal Councils. The new legislation replaces a previous Communal Council Law passed in 2006 and restructures the communal councils in order to build a "new model of socialist society." On December 16, during a celebration of the tenth anniversary of the Venezuelan constitution, the Vice President of the ruling United Socialist Party of Venezuela (PSUV), Aristobulo Istruiz, told legislators that "the best mayors will be those who first dismantle the mayoralties and transfer authority and power to the communal councils," a statement that heightened the opposition's concerns that the Communal Council reform would centralize power in the hands of the executive branch and weaken the power of state and local governments.

13. (C) On December 23, the Social Outreach Director for the opposition-led Baruta Municipality of Caracas, Roberto Ruiz (protect throughout), told EconOff that the new law strengthens the President's political control over the communal councils. Ruiz

said that the executive branch could use this parallel structure to circumvent the authority of democratically-elected officials. In a related development, on December 15 the National Assembly approved a draft Federal Government Council law in the second round of discussion that would give the executive branch direct financial control over the communal councils by diverting public funds away from opposition-controlled state and local governments and funneling money directly to pro-Chavez communal councils. (Note: See Ref A for further analysis of the Federal Government Council. End Note.)

¶4. (C) Ruiz pointed out that the President has used similar tactics in the past, citing the creation of a parallel Capital District government in Caracas that siphoned public financing away from opposition Mayor Antonio Ledezma (Ref B). He also noted that the GBRV has started to redistribute state and local resources to the communal councils. State and local governments currently receive money from the central government via the Law of Special Economic Assignments (LAEE) and the Law of Intergovernmental Fund for Decentralization (FIDES), but since 2007 the allocations have been split between the states (42 percent), municipalities (28 percent) and community councils (30 percent) (Ref C).

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...AND STRENGTHEN CHAVEZ'S POLITICAL MACHINE

¶5. (C) In addition to weakening state and local governments, critics fear that the reform will politicize the communal councils. In theory, the 2006 Communal Council Law explicitly separated communal councils from the state, defining them as apolitical units that would encourage popular participation in government and execute projects to satisfy the needs of the community. In practice, communal councils have had political motivations since their inception. Chavez has used the communal councils as part of his political machine to mobilize voters and distribute campaign funding to PSUV candidates, and Ruiz said that the GBRV has sent Cuban instructors to teach communal council members about participatory democracy. The opposition politicians have also used the communal councils to further their political goals. In a meeting with the senior advisor for the opposition-led Sucre Municipality of Caracas, Federico Ortega told EmbOffs that current legislation stipulates that local governments can only give public funding to communal councils, and not other neighborhood associations. "You need the communal councils to exist and you want them to be yours," said Ortega.

¶6. (C) To date, there are over 30,000 communal councils, according to official government statistics. Ruiz said that a significant percentage of these communal councils are anti-Chavista, despite a popular misconception that all communal councils are organs of the PSUV. During his December 20 "Hello, President" radio and television show, Chavez told listeners that they should not allow the opposition to infiltrate the communal councils. According to Ruiz, the law includes two new requirements that threaten the opposition-led communal councils: firstly, the reform requires all communal councils to support the development of "21st Century Socialism"; secondly, the communal councils have 180 days to register with the central government, which reserves the right to reject or revoke their registration.

¶7. (C) On October 27, EconOff accompanied Ruiz on a visit to the Los Samanes neighborhood of Caracas to observe a Baruta municipality initiative that helps residents organize into communal councils. The meeting was adjourned after residents began throwing eggs at the Baruta city officials. Ruiz told EconOff that pro-Chavez residents had disrupted the meeting to prevent the community from forming a communal council that was not organized by the PSUV.

## BLURRING THE DISTINCTION BETWEEN CIVIL SOCIETY AND GOVERNMENT

¶8. (C) On December 11, constitutional expert Pedro Afonso Del Pino (protect throughout) told EmbOffs that the new law expands the authority of the communal councils so that they touch almost all aspects of civic and political life, blurring the distinction between civil society and official government institutions. The law empowers the communal councils to coordinate national security and defense with the Bolivarian Militias (Ref D); it gives communal councils a role in public education, ostensibly granting them authority to remove teachers from classrooms under a controversial education law passed in August 2009 (Ref E); and the reform authorizes communal councils to maintain an electoral registry and coordinate policy with National Electoral Council (CNE). The communal councils can also create working committees with authority over a broad range of issues affecting the community, including health, housing, urban land use, water, energy and gas, and media.

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## PUBLIC FUNDING TO PRIVILEGE THE SOCIAL INTEREST

¶9. (C) In addition to expanding the authority of the communal councils, the reform gives the communal councils direct control over public resources and mandates that the communal councils undertake projects that "privilege social interest over the accumulation of capital," including the establishment of a barter system where goods and services are exchanged to satisfy the needs of the people. To limit the widespread corruption that has plagued the financing of community projects, council members can remove a spokesperson for misuse of public funds or other improprieties. The reform also abolishes the communal banks that previously served as the financial intermediaries between the central government and the communal councils, replacing them with Administrative Unit and Financial Committees tasked with the financial management of each community council. According to a press report on January 4, the GBRV has ordered over 3,000 communal banks to transfer their funds to the Administrative Unit and Financial Committees within 30 days, but Ruiz said that many of the communal councils have not yet opened bank accounts to receive the funds.

¶10. (SBU) In 2009, the communal councils received approximately 3 billion bolivars (USD 1.395 billion at the official rate of 2.15 bolivars to the USD in effect until January 11, 2010) from the central government to finance 13,520 projects, according to a report by the Autonomous National Fund of Communal Councils (SAFONACC). The 2010 national budget allocates 3.2 billion bolivars (USD 1.23 billion at the official rate of 2.6 bolivars to the USD applied on January 11, 2010) to the communal councils, but these estimates are difficult to verify since the communal councils receive funding from a variety of sources and GBRV accounting practices are not always transparent. Under Article 47 of the reform, the communal councils will have six sources of funding: 1) FIDES and LAEE; 2) the central government, states, and municipalities; 3) the administration of public services; 4) the financial management of their own resources; 5) donations; 6) any other financial activity permitted by the Venezuelan constitution.

## ANATOMY OF A COMMUNAL COUNCIL

¶11. (SBU) The reform restructures each communal council into five entities: 1) the citizens assembly is the principle decision-making body; 2) the community coordination collective ensures that

decisions approved by the citizens assembly are carried out); 3) the executive unit manages the working committees within the council; 4) the social monitoring unit supervises the activities of communal council members , and 5) the Administrative Unit and Financial Committee described above. The citizens assembly elects spokespeople to the communal council for two-year terms, and decisions are made by a simple majority vote, with suffrage granted to all community residents over 15 years old. (Note: The voting age in Venezuela is 18 and older. Voting is not compulsory. End Note.)

#### UNCONSTITUTIONAL AND INORGANIC

¶12. (C) According to Afonso del Pino, the Organic Law of Communal Councils is unconstitutional for two reasons. First, reform requires communal councils to support the construction of a "new model of socialist society" when the 1999 constitution explicitly defines Venezuela as an autonomous and pluralist state. Second,

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the law does not meet any of the four requirements for an organic law. Afonso del Pino speculated that the Executive rushed to push the Communal Council reform through the National Assembly in advance of legislative elections scheduled for September 2010, which are likely to reduce PSUV representation in the National Assembly, and approved the law's "organic" character to make it more difficult to change after the elections. (Note: The Venezuelan constitution requires a two-thirds majority vote in the National Assembly to change an organic law. End Note.)

#### COMMENT

¶13. (C) The 2006 law envisioned the communal councils as a mechanism for increasing participatory democracy to better address the needs of the community. From the beginning, however, the communal councils were co-opted-by the government and, in a few cases, by the opposition-for political purposes. The Organic Law of Communal Councils institutionalizes the central role of the communal councils in a wide range of political, social and economic activity-from national defense to public education-and creates a mechanism to finance pro-Chavez community councils directly. In combination with the Federal Government Council law, the reform would create a parallel government structure to circumvent democratically-elected officials at the state and local levels and weaken opposition-oriented communal councils, which are now required to register with, and be approved by, the central government to support the development of "21st Century Socialism." The success of this effort to tighten executive branch control over the communal councils and create a substitute for city and state government may ultimately depend on whether the GBRV can effectively manage a network of over 30,000 communal councils and fight the widespread corruption that has damaged their credibility and limited their efficiency. End Comment.

CAULFIELD